

**SURREBUTTAL TESTIMONY OF**

**BRANDON S. BICKLEY**

**ON BEHALF OF**

**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2020-125-E**

**IN RE: APPLICATION OF DOMINION ENERGY SOUTH CAROLINA,  
INCORPORATED FOR ADJUSTMENT OF RATES AND CHARGES**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

**A.** My name is Brandon S. Bickley. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the South Carolina Office of Regulatory Staff (“ORS”) in the Energy Operations Division as a Regulatory Analyst.

**Q. DID YOU FILE DIRECT TESTIMONY RELATED TO THIS PROCEEDING?**

**A.** Yes. I filed Direct Testimony with the Public Service Commission of South Carolina (“Commission”) on November 10, 2020 regarding the Application of Dominion Energy South Carolina, Incorporated (“DESC” or “Company”) for Adjustments in Electric Rate Schedules and Tariffs (“Application”) for the test year ending December 31, 2019 (“Test Year”).

**Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?**

**A.** Yes. The review to which I testify was performed by me or under my supervision.

**Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

**A.** The purpose of my Surrebuttal Testimony is to respond to certain matters raised in the Rebuttal Testimony of witnesses filed on behalf of the Company. Specifically, I will address the following matters:

- Company witness Keith C. Coffey's testimony regarding the Storm Damage Remediation Rider Reinstatement ("Storm Rider" or "Storm Reserve") and ORS's recommendation that customers earn carrying costs.
- Company witness Coffey's testimony regarding the Storm Remediation Cost Deferral, the Critical Infrastructure Protection Costs Deferral, and the V.C. Summer ("VCS") Cyber Security Deferral.
- Company witness Allen W. Rooks' discussion regarding the ORS proposed customer protection that Storm Rider collections should not exceed \$5 million in any twelve-month period.
- Company witness Rooks' discussion regarding the ORS proposed customer protection to delay the Storm Rider.
- Company witness Rooks' discussion regarding the ORS proposed customer protection for quarterly reporting for the Storm Rider.
- Company witness Keller Kissam's discussion regarding the ORS proposed customer protection for a \$5 million annual cap for the Storm Rider.
- Company witness Kissam's discussion regarding the ORS proposed customer protection for an overall \$50 million cap for the Storm Reserve fund.

**Q. PLEASE CLARIFY THE ORS RECOMMENDATION THAT THE STORM RIDER RESERVE ACCOUNT EARN CARRYING COSTS FOR CUSTOMERS.**

**A.** ORS and the Company agree that the Storm Rider reserve account should be included in rate base. However, Company witness Coffey expresses a concern that if carrying costs were to be applied to the Storm Rider, then the possibility exists for either the customer or the Company to be credited twice depending on how the carrying costs are applied.<sup>1</sup> ORS did not address the specific accounting treatment required to incorporate the protection that would allow DESC customers to receive a benefit equal to carrying costs on the money held by the Company for the Storm Rider reserve. ORS defers to the Company to determine the proper accounting treatment should the Commission approve ORS's recommended protection.

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<sup>1</sup> Surrebuttal Testimony of Keith C. Coffey, Jr., page 4, lines 17-21, and page 5, line 1.

1           ORS and the Company agree that the annual collections for the Storm Rider would  
2           act as a decrease to rate base and therefore, the customer would receive the benefit similar  
3           to earning interest. However, the Company does not specify if customer money that is  
4           collected and contained in the Storm Reserve above the annual amount would earn carrying  
5           costs. Any amount above the established cap would not be included in the calculation of  
6           the Company's rate base, so customers would not receive the benefit similar to carrying  
7           costs. As such, should the Commission approve ORS's proposed customer protection for  
8           the \$5 million annual cap, the Company should be required to calculate and apply the  
9           proper accounting treatment to ensure that customer money contained in the Storm Reserve  
10          above \$5 million include carrying costs for the benefit of the customers.

11   **Q.   PLEASE EXPLAIN WHY ORS'S PROPOSED CUSTOMER PROTECTIONS ARE**  
12   **NECESSARY TO PROVIDE A SAFEGUARD FOR CUSTOMERS.**

13           Careful consideration should be given to the risks to customers when the Company  
14           requests to collect in advance and hold on to customer funds, and ORS's proposed customer  
15           protections provide necessary safeguards for the protection of customers. First, the  
16           Company will collect money from customers in advance to fund the Storm Reserve account  
17           to pay for potential storm costs and because of this fact, customers will not be able to use  
18           this money for other purposes. Second, by collecting money from customers in advance  
19           for potential costs related to storms, the Company is shielded from much of the financial  
20           risk associated with storm restoration by burdening their customers with additional  
21           expenses. Third, the collection of money in advance for future costs that may or may not  
22           occur or that could occur several years later would mean that the Company will be holding

1 large sums of customer money with limited acknowledgement that the customers' money  
2 held by the Company is more valuable today to the customer than it will be in the future.

3 It should be noted that storm costs, by nature, are different than "normal" costs such  
4 as those costs associated with Operations and Maintenance of the electric system or the  
5 Annual Review of Base Rates for Fuel Costs. The Company has used other mechanisms  
6 such as deferrals to recover out of test year costs that it incurs, and the Company also has  
7 the ability to address storm costs in a future proceeding. The Company's customers do not  
8 have access to additional mechanisms to protect their interests. This highlights why it is  
9 so important that ORS proposed customer protections, which allow both the customer and  
10 the Company to more equitably benefit from the Storm Rider.

11 **Q. PLEASE ADDRESS COMPANY WITNESS COFFER'S REBUTTAL**  
12 **TESTIMONY ON THE AMORTIZATION PERIOD FOR DEFERRALS.**

13 **A.** Company witness Coffe disagrees with ORS's recommendation to change the  
14 amortization periods to ten (10) years as opposed to five (5) years proposed by the  
15 Company for the following deferrals: Storm Remediation Cost Deferral, Critical  
16 Infrastructure Protection Costs Deferral, and VCS Cyber Security Deferral. In general,  
17 Company witness Coffe states that it is the Company's opinion that DESC's proposal for  
18 five (5) year amortization periods are more appropriate because they align more closely to  
19 the time period for which the deferred costs were accumulated.<sup>2</sup>

20 The establishment of the amortization period for deferrals is not exclusively tied to  
21 the time period for which the deferred costs were accumulated as the Company seems to  
22 infer. Amortization periods are reviewed during a general rate proceeding and can be

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<sup>2</sup> Surrebuttal Testimony of Keith C. Coffe, Jr., page 13, lines 1-5.

adjusted by the Commission. In this rate case, ORS recommends a ten (10) year amortization period for these deferrals to reduce the impact of the deferrals on customer's rates during the current, difficult economic challenges attributed to COVID-19. ORS's recommendation would lower the annual impact to customers by approximately 50% for each deferral thereby reducing the immediate financial impact to customers.

**Q. PLEASE RESPOND TO THE REBUTTAL TESTIMONY OF COMPANY WITNESS ROOKS RELATED TO ORS'S PROPOSED STORM RIDER CUSTOMER PROTECTION THAT CUSTOMER COLLECTIONS SHOULD NOT EXCEED \$5 MILLION IN ANY TWELVE-MONTH PERIOD.**

**A.** Company witness Rooks addresses ORS's proposed Storm Rider customer protection that customer collections should not exceed \$5 million in any twelve-month period. Company witness Rooks discusses how ORS's proposed customer protection may create a fairness issue with customers based on when their bills are received and paid and his belief that ORS's proposed customer protection may cause multiple rate schedule changes leading to potential customer confusion and billing errors.<sup>3</sup>

Upon reviewing Company witness Rooks' concerns as detailed in Rebuttal Testimony, ORS would like to clarify its position. ORS's proposal of a \$5 million annual cap is an approximate value, subject to a true-up. The Company managed the Storm Rider in the past with Commission approved annual collection limits.<sup>4</sup> The Company has successfully demonstrated it has business systems capable and equipped to administer and manage the Storm Rider in a fair and equitable manner.

<sup>3</sup> Surrebuttal Testimony of Allen W. Rooks, page 2, lines 8-22 and page 3, lines 1-7.

<sup>4</sup> Commission Order No. 1996-15 established the Storm Rider under a \$5 million annual cap.

Regarding the Company's concern related to multiple rate schedule changes leading to customer confusion and billing errors, the Company has successfully navigated changes related to Demand Side Management ("DSM"), DESC's Pension Rider, and Annual Review of Base Rates for Fuel Costs. ORS is confident that the Company is capable and equipped to implement and communicate effectively to its customers the rate schedule changes for the Storm Rider.

**Q. PLEASE RESPOND TO THE REBUTTAL TESTIMONY OF COMPANY WITNESS ROOKS THAT ADDRESSES ORS'S PROPOSED STORM RIDER CUSTOMER PROTECTIONS RELATED TO DELAYING THE STORM RIDER AND QUARTERLY REPORTING.**

**A.** Company witness Rooks expresses concerns with ORS's proposal to delay Storm Rider collections from customers and the requirement to provide quarterly reporting on the status of the Storm Rider to the Commission and ORS.<sup>5</sup>

The Company's concern for a delay to the start of the Storm Rider relates to the potential changes resulting from the Annual Fuel proceeding, DSM update, and any potential Pension Rider change. DESC was aware that its retail electric rates would change as a result of its Application, and the Company's rates change annually. The ORS recommendation to delay the implementation of the Storm Rider helps lessen the immediate impact to customers while allowing both the Company and the customers to benefit from the availability of the Storm Rider fund in the future. The Company is not harmed by a delay in Storm Rider collections because the Company has other mechanisms at its disposal to recover incurred costs. Therefore, ORS's proposal is just and reasonable.

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<sup>5</sup> Surrebuttal Testimony of Allen W. Rooks, page 3, lines 8-19, page 4, lines 12-22, and page 5, lines 1-7.

With regards to the quarterly reporting requirement recommended by ORS, the Company should update its quarterly financial reports to include status updates for the Storm Rider. It is reasonable to require the Company to report quarterly on the Storm Rider so that the Commission and ORS can monitor the operation and administration of the Storm Rider. ORS's proposed customer protection for quarterly reporting promotes transparency and accountability. For the Company to dismiss the report as unnecessary and excessive ignores the importance that all regulated utilities operate in a transparent and accountable manner.

**Q. PLEASE ADDRESS COMPANY WITNESS KISSAM'S REBUTTAL TESTIMONY REGARDING ORS'S PROPOSED STORM RIDER CUSTOMER PROTECTIONS TO CAP ANNUAL COLLECTIONS AT \$5 MILLION AND THE OVERALL STORM RESERVE AT \$50 MILLION.**

**A.** Company witness Kissam addresses ORS's proposed Storm Rider customer protections for collections from customers to be capped at \$5 million annually and that the total amount in the Storm Reserve be capped at \$50 million. Company witness Kissam also discusses how the Company used a five (5) year average to determine the \$9.8 million average requirement and his belief that the ORS proposed \$5 million cap is inadequate.<sup>6</sup>

ORS reviewed a larger data sample than witness Kissam did to develop the proposed \$5 million annual cap for the Storm Reserve fund. It is ORS's position that a ten (10) year period provides a more complete data set for which to analyze the average annual storm costs of DESC. By utilizing the most recent ten (10) years of storm cost data (2011-2020) and removing the highest and lowest values as extreme outliers, the average of the

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<sup>6</sup> Surrebuttal Testimony of W. Keller Kissam, page 10, lines 3-17.

1 eight (8) remaining years is approximately \$8.1 million. If the same calculation is  
2 performed for the past ten (10) years using the end of the Test Year (2010-2019), the  
3 average is approximately \$8.0 million.

4 In his Rebuttal Testimony, Company witness Kissam ignores that the Company  
5 already has \$2.5 million in storm damage restoration costs included in operating expenses  
6 which is recovered from customers through base rates and is not directly offset against the  
7 Storm Reserve. If the \$2.5 million in storm damage restoration costs included in operating  
8 expenses is added to the ORS proposed amount of \$5 million in annual collections for the  
9 Storm Rider, the Company has \$7.5 million annually to spend on storm restoration costs.  
10 If the \$2.5 million in storm damage restoration costs included in operating expenses is  
11 added to the Company's proposal of \$9.8 million in annual Storm Rider collections, the  
12 Company has \$12.3 million annually to spend on storm restoration costs. By comparison,  
13 with the \$2.5 million added, the ORS proposal of \$7.5 million annually is more in line with  
14 the Company's annual storm cost averages of \$8.1 and \$8.0 million using ORS's practice  
15 of a ten (10) year period to normalize storm costs. This is consistent with how ORS has  
16 treated storm costs in the past, and this method has been approved by the Commission  
17 recently in Commission Order No. 2019-323.<sup>7</sup>

18 Company witness Kissam's discussion on how a hard cap might create a "customer  
19 perception nightmare" with rates possibly going up or down and perhaps month by month  
20 is a generalization without support. If the Storm Rider were capped at \$5 million annually,  
21 the rates would not go up or down month by month as stated by Company witness Kissam.  
22 The Company chooses to embed the Storm Rider in customers' rates, and the Storm Rider

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<sup>7</sup> Commission Order No. 2019-323 normalized storm costs over ten (10) years and using an eight (8) year average.

1 is reflected as a separate and distinct line item on a customer's monthly bill. The rates  
2 would remain constant during the year when the Storm Rider is in effect. Once the annual  
3 cap is reached, the rates would be eliminated. Customer rates would remain constant until  
4 the following year when the Storm Rider may be re-activated. As such, it is incorrect for  
5 Company witness Kissam to state that a \$5 million cap would create a perception nightmare  
6 based on his argument that rates would go up or down or change month by month.

7 Regarding the Company's request to reinstate a cap of \$100 million for the total  
8 Storm Reserve, Company witness Kissam provides general observations in lieu of data or  
9 analysis. My Direct Testimony identified that the maximum funding amount contained in  
10 the Storm Reserve was \$48,983,315 as of the end of 2007 and beginning of 2008.<sup>8</sup> Using  
11 ORS's proposal of a \$5 million cap, the Company would not reach ORS's proposed \$50  
12 million overall fund cap unless it had ten (10) years of storm costs at or below the \$2.5  
13 million in storm restoration costs included in DESC's operating expenses. ORS's analysis  
14 of DESC's data determined that the \$50 million cap proposed by ORS is reasonable, and  
15 that the Company's proposal of an overall cap of \$100 million is not justified.

16 Company witness Kissam's discusses how the Storm Rider needs to build up during  
17 a calm period because "luck will not last forever" with one storm potentially "wiping out"  
18 the reserve.<sup>9</sup> These general statements do not justify the Company's proposal for a total  
19 Storm Reserve fund of \$100 million. The Company implies that the future is not  
20 predictable, therefore a safety net for the Company is necessary. However, the Company's  
21 customers deserve a safety net in the form of customer protections. Additionally, the  
22 Commission previously recognized a reasonable storm reserve with an annual limit of \$5

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<sup>8</sup> Response to ORS Requests 3-24 and 11-7.

<sup>9</sup> Surrebuttal Testimony of W. Keller Kissam, page 10, lines 13-15.

1 million and a total fund limit of \$50 million in Commission Order No. 2010-79 for Duke  
2 Energy Carolina's, LLC ("DEC"). The annual and total fund caps for DEC's Storm  
3 Reserve fund align with the proposed customer protections that ORS recommends for  
4 DESC's proposed Storm Rider reinstatement.<sup>10</sup>

5 **Q. PLEASE SUMMARIZE ORS'S RECOMMENDATIONS RELATED TO THE**  
6 **STORM RIDER AND DEFERRAL AMORTIZATION PERIODS.**

7 **A.** ORS recommends that the Commission approve all of ORS's proposed customer  
8 protections as detailed in my Direct Testimony (page 10, lines 17-22, page 11, lines 1-21,  
9 and page 12, lines 1-5) related to the Storm Rider. Should the proposed customer  
10 protections recommended by ORS be denied or materially altered to lessen the customer  
11 safeguards, ORS would not support the Company's proposal to reinstate the Storm Rider.  
12 ORS also recommends that the Commission approve ORS's proposal for ten (10) year  
13 amortization periods regarding the deferrals as discussed in my Direct Testimony (page 6,  
14 lines 3-19, page 26, lines 1-14, and page 28, lines 7-23).

15 **Q. WILL YOU UPDATE YOUR SURREBUTTAL TESTIMONY BASED ON**  
16 **INFORMATION THAT BECOMES AVAILABLE?**

17 **A.** Yes. ORS fully reserves the right to revise its recommendations via supplemental  
18 testimony should new information not previously provided by the Company, or other  
19 sources, becomes available.

20 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

21 **A.** Yes, it does.

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<sup>10</sup> Commission Order No. 2010-79 allows DEC to collect \$5 million per year with a total limit of \$50 million.